



**Office of the President**

3410 Taft Boulevard Wichita Falls, Texas 76308-2099  
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**To:** MSU Board of Regents  
Mr. Shawn Hessing, Chair  
Mr. Warren Ayres  
Mrs. Tiffany Burks  
Mr. R. Caven Crosnoe  
Dr. Lynwood Givens  
Mr. Jeff Gregg  
Ms. Nancy Marks  
Mr. Samuel M. Sanchez  
Ms. Shelley Sweatt  
Ms. Megan Piehler, Student Regent

**From:** Suzanne Shipley  
President

**Date:** April 25, 2016

**Subject:** Quarterly Investment Reports

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Attached are the Quarterly Investment Reports for the second quarter ended February 29, 2016. Please feel free to contact me if you have any questions.

enclosures  
SS/rr

C: Debbie Barrow



**Business Affairs and Finance**  
3410 Taft Boulevard Wichita Falls, Texas 76308-2099  
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April 22, 2016

TO: The Board of Regents of Midwestern State University, and  
Dr. Suzanne Shipley, President

SUBJECT: Quarterly Investment Reports

Attached are the quarterly investment reports for the second quarter ended February 29, 2016, as required by the amended Public Funds Investment Act.

The investment portfolio is in compliance with Midwestern State University's investment policies. The portfolio is in compliance with the provisions of the Public Funds Investment Act as amended by the 82<sup>nd</sup> Legislature. (HB 2226)

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Chris Stovall  
Controller

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Dr. Marilyn Fowle'  
Vice President, Business Affairs  
and Finance

**Midwestern State University  
Wichita Falls, Texas**

**Quarterly Investment Report  
(Unaudited)  
For the Second Quarter Ended February 29, 2016**

Unaudited

**Midwestern State University  
Summary of Investments  
(Pooled Investments)  
At February 29, 2016**

	<u>Book Value</u>	<u>%</u>	<u>Market Value</u>	<u>%</u>
<b>Long-term Securities:</b>				
<b>Equity Securities:</b>				
U.S. Common Stock	<u>\$70,774</u>	<u>0.17%</u>	<u>\$174,139</u>	<u>0.43%</u>
<b>Debt Securities:</b>				
U.S. Government Agencies (Non-Guaranteed):				
Mortgage-Backed	18	0.00%	19	0.00%
Other	<u>2,095,020</u>	<u>5.02%</u>	<u>2,095,504</u>	<u>5.17%</u>
Total U.S. Government Agencies	<u>2,095,038</u>	<u>5.02%</u>	<u>2,095,522</u>	<u>5.17%</u>
<b>Long-term Investment Pools</b>				
Texas A&M System Investment Pool	<u>23,160,420</u>	<u>55.55%</u>	<u>21,863,381</u>	<u>53.98%</u>
<b>Total Long-term Securities</b>	<u>25,326,232</u>	<u>60.74%</u>	<u>24,133,042</u>	<u>59.59%</u>
<b>Short-term Securities:</b>				
TexPool	1,502,734	3.60%	1,502,734	3.71%
Logic	4,508,696	10.81%	4,508,696	11.13%
TX Class	6,003,854	14.40%	6,003,854	14.82%
Wells Fargo MM Savings	<u>8,086</u>	<u>0.02%</u>	<u>8,086</u>	<u>0.02%</u>
<b>Total Short-term Securities</b>	<u>12,023,370</u>	<u>28.84%</u>	<u>12,023,370</u>	<u>29.68%</u>
<b>Total Investment Assets</b>	<u>37,349,603</u>	<u>89.58%</u>	<u>36,156,413</u>	<u>89.27%</u>
<b>Cash and Cash Equivalents:</b>				
Cash Held at State Treasury	<u>4,344,859</u>	<u>10.42%</u>	<u>4,344,859</u>	<u>10.73%</u>
<b>Total Cash and Cash Equivalents</b>				
<b>Total Cash and Investments</b>	<u>\$41,694,461</u>	<u>100.00%</u>	<u>\$40,501,271</u>	<u>100.00%</u>
<b>Total Rate of Return</b>		0.96%		



Unaudited

**Midwestern State University**  
**Summary of Investments**  
**(MSU Endowments at American Natl. Bank Trust Dept.)**  
**At February 29, 2016**

	<u>Book</u> <u>Value</u>	<u>%</u>	<u>Market</u> <u>Value</u>	<u>%</u>
<b>Long-term Securities:</b>				
<b>Equity Securities:</b>				
Common Stock, Mutual Funds and ETFs	\$4,516,956	59.98%	\$4,780,507	60.61%
<b>Total Equity Securities</b>	<u>4,516,956</u>	<u>59.98%</u>	<u>4,780,507</u>	<u>60.61%</u>
<b>Other Securities:</b>				
U.S. Government Agencies	313,291	4.16%	315,409	4.00%
Corporate Bonds & Notes	2,241,743	29.77%	2,258,837	28.64%
Real Estate Investment Trusts (REIT)	238,158	3.16%	311,403	3.95%
<b>Total Fixed Income Securities</b>	<u>2,793,192</u>	<u>37.09%</u>	<u>2,885,649</u>	<u>32.64%</u>
<b>Total Long-term Securities</b>	<u>7,310,147</u>	<u>97.07%</u>	<u>7,666,156</u>	<u>97.20%</u>
<b>Cash and Cash Equivalents:</b>				
U.S. Dollars		0.00%		0.00%
Goldman Sachs - Cash Equivalent	221,033	2.93%	221,033	2.80%
<b>Total Cash and Cash Equivalents</b>	<u>221,033</u>	<u>2.93%</u>	<u>221,033</u>	<u>2.80%</u>
<b>Total Cash and Investments</b>	<u>\$7,531,180</u>	<u>100.00%</u>	<u>\$7,887,190</u>	<u>100.00%</u>



Unaudited

**Midwestern State University**  
**Summary of Investments**  
**(MSU Endowments Invested with the Texas A&M University System)**  
**At February 29, 2016**

	<u>Book</u> <u>Value</u>	<u>%</u>	<u>Market</u> <u>Value</u>	<u>%</u>
<b>Long-term Investment Pools:</b>				
Texas A&M System Endowment Pool	\$410,042	100.00%	\$377,034	100.00%
<b>Total Long-term Investments</b>	<u>410,042</u>	<u>100.00%</u>	<u>377,034</u>	<u>100.00%</u>
<b>Total Investments</b>	<u><u>\$410,042</u></u>	<u><u>100.00%</u></u>	<u><u>\$377,034</u></u>	<u><u>100.00%</u></u>

Unaudited

**Midwestern State University**  
**Statement of Changes in Investment Assets**  
**(MSU Endowments Invested with the Texas A&M University System)**  
**For the Second Quarter Ended February 29, 2016**

	<b><u>Book</u></b> <b><u>Value</u></b>	<b><u>Market</u></b> <b><u>Value</u></b>
<b>Investment Assets - 11-30-15</b>	\$399,092	\$387,354
Principal Payments Received		
Investment Income	1,311	1,311
Realized Gain (Loss)	3,607	
Management Fees	(481)	(481)
Distributions and Other	(4,437)	(4,437)
Securities Purchased and Funds Transferred	10,950	10,950
Changes in Net Unrealized Appreciation/(Depreciation)	<u>                    </u>	<u>(17,663)</u>
<b>Investment Assets - 02-29-16</b>	<b><u>                    </u></b> <b><u>\$410,042</u></b>	<b><u>                    </u></b> <b><u>\$377,034</u></b>

Unaudited

**Midwestern State University**  
**Summary of Investments**  
**(Redwine Quasi-Endowment Invested with the Texas A&M University System)**  
**At February 29, 2016**

	<u>Book</u> <u>Value</u>	<u>%</u>	<u>Market</u> <u>Value</u>	<u>%</u>
<b>Long-term Investment Pools:</b>				
Texas A&M System Endowment Pool	<u>\$11,516,586</u>	<u>100.00%</u>	<u>\$10,604,682</u>	<u>100.00%</u>
<b>Total Long-term Investments</b>	<u>11,516,586</u>	<u>100.00%</u>	<u>10,604,682</u>	<u>100.00%</u>
<b>Total Investments</b>	<u><u>\$11,516,586</u></u>	<u><u>100.00%</u></u>	<u><u>\$10,604,682</u></u>	<u><u>100.00%</u></u>

Unaudited

**Midwestern State University**  
**Statement of Changes in Investment Assets**  
**(Redwine Quasi-Endowment Invested with the Texas A&M University System)**  
**For the Second Quarter Ended February 29, 2016**

	<b><u>Book</u></b> <b><u>Value</u></b>	<b><u>Market</u></b> <b><u>Value</u></b>
<b>Investment Assets - 11-30-15</b>	\$11,516,586	\$11,202,959
Principal Payments Received		
Investment Income	44,148	44,148
Realized Gain (Loss)	101,452	101,452
Management Fees	(16,206)	(16,206)
Distributions and Other	(129,393)	(129,393)
Changes in Net Unrealized Appreciation/(Depreciation)	<u>                    </u>	<u>(598,277)</u>
<b>Investment Assets - 02-29-16</b>	<u><u>\$11,516,586</u></u>	<u><u>\$10,604,682</u></u>

**INVESTMENT PORTFOLIO ACTIVITY**  
**"POOLED" INVESTMENTS**  
**FOR THE SECOND QUARTER ENDED FEBRUARY 29, 2016**

	<u>Coupon</u>	<u>Stated Maturity</u>	<u>Book Value 11-30-15</u>	<u>Market Value 11-30-15</u>	<u>Unrealized Gain (Loss)</u>	<u>Purchases</u>	<u>Principal Payments Received/ Matured</u>	<u>Realized Gain (Loss)</u>	<u>Interest/ Dividends Earned For the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value 02-29-16</u>	<u>Market Value 02-29-16</u>	<u>Unrealized Gain (Loss)</u>
<b>U.S. Government Agencies:</b>													
FNMA Fixed Note - callable	1.50	11-27-20	595,840.57	586,923.00	(8,917.57)				2,250.00	196.22	\$596,036.79	\$595,436.40	(\$600.39)
FNMA Step Up	2.00	07-16-21	499,826.08	492,092.50	(7,733.58)				2,500.00	7.52	499,833.60	500,250.50	416.90
FNMA	2.25-6.5	09-27-27	499,726.67	491,343.00	(8,383.67)				2,812.50	37.50	499,764.17	500,468.50	704.33
FHLMC	3.00	09-28-27	499,373.81	489,398.00	(9,975.81)				3,750.00	11.93	499,385.74	499,348.50	(37.24)
<b>Total Agency Notes</b>			<u>2,094,767.13</u>	<u>2,059,756.50</u>	<u>(35,010.63)</u>				<u>11,312.50</u>	<u>253.17</u>	<u>2,095,020.30</u>	<u>2,095,503.90</u>	<u>483.60</u>
<b>U.S. Government Mortgage Backed Securities:</b>													
FHLMC Pool #170177	9.500	07-01-16	11.46	11.81	0.35		5.58		0.18	0.30	6.18	6.32	0.14
FHLMC Pool #170177	9.500	07-01-16	22.28	22.88	0.60		10.79		0.36	0.52	12.01	12.23	0.22
<b>Total Mortgage-Backed</b>			<u>33.74</u>	<u>34.69</u>	<u>0.95</u>		<u>16.37</u>		<u>0.54</u>	<u>0.82</u>	<u>18.19</u>	<u>18.55</u>	<u>0.36</u>
<b>U.S. Common Stock: (Donated)</b>													
1,000 shares - Chesapeake Utilities (CPK)			18,200.00	53,290.00	35,090.00				431.25		18,200.00	62,300.00	44,100.00
10 shares - Citigroup (C) - reverse split			1,310.00	540.90	(769.10)						1,310.00	388.50	(921.50)
45 shares Calamos Conv. & High Inc. (CHY)			619.65	495.00	(124.65)				27.80		619.65	427.50	(192.15)
1,200 shares - CSX Corp. (CSX)			5,566.00	34,116.00	28,550.00				432.00		5,566.00	28,968.00	23,402.00
252 shares - Conoco Phillips (COP)			4,957.82	13,620.60	8,662.78				249.48		4,957.82	8,525.16	3,567.34
126 shares - Phillips 66 (PSX)			2,479.68	11,532.78	9,053.10				141.12		2,479.68	10,003.14	7,523.46
125 shares Berkshire (BRK-B)			2,631.05	16,761.25	14,130.20						2,631.05	16,771.25	14,140.20
856 shares - Wells Fargo (WFC)			24,824.00	47,165.60	22,341.60				642.00		24,824.00	40,163.52	15,339.52
124 shares-Manulife (MFC)			4,216.36	271.26	(3,945.10)				11.35		4,216.36	1,656.64	(2,559.72)
60 shares - Natl. Oil Well (NOV)			4,342.80	2,240.40	(2,102.40)				27.60		4,342.80	1,756.20	(2,586.60)
15 shares - NOW Inc. (DNOW) - split/spin off			514.20	275.70	(238.50)						514.20	242.70	(271.50)
70 shares - Southwest Airlines (LUV)			1,112.30	3,211.60	2,099.30				5.25		1,112.30	2,936.50	1,824.20
<b>Total Common Stock</b>			<u>70,773.86</u>	<u>183,521.09</u>	<u>112,747.23</u>				<u>1,967.85</u>		<u>70,773.86</u>	<u>174,139.11</u>	<u>103,365.25</u>
<b>Sub-Total - Securities</b>			<u>2,165,574.73</u>	<u>2,243,312.28</u>	<u>77,737.55</u>		<u>16.37</u>		<u>13,280.89</u>	<u>253.99</u>	<u>2,165,812.35</u>	<u>2,269,661.56</u>	<u>103,849.21</u>
<b>Investment Pool Cash</b>													
Wells Fargo MM Savings	0.03		3,008,045.42	3,008,045.42		\$1,000,000.00	4,000,000.00		40.88		8,086.30	8,086.30	
TEXPOOL Investment Pool (1)	0.30	* Daily	501,845.71	501,845.71		1,000,000.00			888.51		1,502,734.22	1,502,734.22	
LOGIC Investment Pool (1)	0.48	* Daily	505,313.18	505,313.18		4,000,000.00			3,382.87		4,508,696.05	4,508,696.05	
TX CLASS Investment Pool (1)	0.49	* Daily				7,000,000.00	1,000,000.00		3,853.90		6,003,853.90	6,003,853.90	
TX A&M System Pool	1.45	* Variable	23,083,164.14	22,906,072.33	(177,091.81)				77,255.71		23,160,419.85	21,863,380.63	(1,297,039.22)
<b>Total Investment Pool Cash</b>			<u>27,098,368.45</u>	<u>26,921,276.64</u>	<u>(177,091.81)</u>	<u>13,000,000.00</u>	<u>5,000,000.00</u>		<u>85,421.87</u>		<u>35,183,790.32</u>	<u>33,886,751.10</u>	<u>(1,297,039.22)</u>
<b>Total Investments</b>			<u>\$29,263,943.18</u>	<u>\$29,164,588.92</u>	<u>(\$99,354.26)</u>	<u>\$13,000,000.00</u>	<u>\$5,000,016.37</u>		<u>\$98,702.76</u>	<u>\$253.99</u>	<u>\$37,349,602.67</u>	<u>\$36,156,412.66</u>	<u>(\$1,193,190.01)</u>

\*As of February 29, 2016

(1) These investment pools are structured to maintain a constant dollar value

<u>Comparison to U.S. and State Treasuries</u>	<u>Book Accounting Yield</u>	<u>Average Three-Month U.S. Treasury Bill</u>	<u>State Treasury Yield</u>	<u>Basis Point Spread to U.S. Treasury</u>	<u>Basis Point Spread to State Treasury</u>
December, 2015	(0.06)	0.23	0.63	(0.29)	(0.69)
January, 2016	1.77	0.25	0.70	1.52	1.07
February, 2016	1.17	0.31	0.81	0.86	0.37

MIDWESTERN STATE UNIVERSITY  
 INVESTMENT PORTFOLIO ACTIVITY  
 REVENUE FINANCING SYSTEM REVENUE & REFUNDING BONDS - SERIES 2015A  
 FOR THE SECOND QUARTER ENDED FEBRUARY 29, 2016

	<u>Coupon</u>	<u>Stated Maturity</u>	<u>Book Value 11-30-15</u>	<u>Market Value 11-30-15</u>	<u>Unrealized Gain (Loss)</u>	<u>Purchases</u>	<u>Principal Payments Received/ Matured</u>	<u>Realized Gain (Loss)</u>	<u>Interest Earned For the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value 02-29-16</u>	<u>Market Value 02-29-16</u>	<u>Unrealized Gain (Loss)</u>
LOGIC Investment Pool	0.23	* Daily	\$ 6.93	\$ 6.93		\$7,132,277.36	\$7,132,391.74		\$153.88		\$46.43	\$46.43	
BLB Flexible Repo Agreement	0.49	Monthly	33,402,326.70	33,402,326.70			7,132,277.36		37,164.13		26,307,213.47	26,307,213.47	
<b>Total Bond Investments</b>			<u>\$33,402,333.63</u>	<u>\$33,402,333.63</u>		<u>\$7,132,277.36</u>	<u>\$14,264,669.10</u>		<u>\$37,318.01</u>		<u>\$26,307,259.90</u>	<u>\$26,307,259.90</u>	

\*As of February 29, 2016

Interest Rate on Bonds issued 3.00% - 5.00%

MIDWESTERN STATE UNIVERSITY  
INVESTMENT PORTFOLIO ACTIVITY  
MSU ENDOWMENT INVESTMENTS - AMERICAN NATL. BANK TRUST DEPT. MANAGERS  
FOR THE SECOND QUARTER ENDED FEBRUARY 29, 2016

	Book Value 11-30-15	Market Value 11-30-15	Unrealized Gain (Loss)	Purchases	Principal Payments Received/ Matured	Realized Gain (Loss)	Interest/ Dividends Received (Fees Paid) In the Qtr.	Amortization/ Accretion of Prem./Disc.	Book Value 02-29-16	Market Value 02-29-16	Unrealized Gain (Loss)	Market Value Percentage Of Total	
<b>AMERICAN NATL. BANK TRUST DEPT.</b>													
<b>Cash and Cash Equivalents:</b>													
<b>Cash</b>													
American Natl. Bank Fees							(\$9,949.94)						
U.S. Dollars	(\$191.04)	(\$191.04)		\$233,251.23	\$233,060.19								
Goldman Sachs	\$103,208.36	\$103,208.36		941,601.94	\$823,777.19		102.01		\$221,033.11	\$221,033.11		2.80%	
<b>Total Cash and Cash Equivalents</b>	<b>103,017.32</b>	<b>103,017.32</b>		<b>1,174,853.17</b>	<b>1,056,837.38</b>		<b>(9,847.93)</b>		<b>221,033.11</b>	<b>221,033.11</b>		<b>2.80%</b>	
<b>Purchased Interest Receivable</b>													
<b>Fixed Income:</b>													
U.S. Government Agencies	14,852.92	15,379.75	\$526.83	302,618.11	4,177.35	(\$133.74)	905.84	(\$2.52)	313,291.16	315,408.57	\$2,117.41	4.00%	
Municipal Bonds													
Corporate Bonds & Notes	2,468,310.65	2,495,811.77	27,501.12	4,680.68	224,278.21	(26,300.34)	36,179.43	(6,970.54)	2,241,742.58	2,258,837.30	17,094.72	28.64%	
Devonshire - REIT	242,598.65	296,052.57	53,453.92	100,026.35	104,467.03				238,157.97	311,403.44	73,245.47	3.95%	
<b>Total Fixed Income Securities</b>	<b>2,725,762.22</b>	<b>2,807,244.09</b>	<b>81,481.87</b>	<b>407,325.14</b>	<b>332,922.59</b>	<b>(26,434.08)</b>	<b>37,085.27</b>	<b>(6,973.06)</b>	<b>2,793,191.71</b>	<b>2,885,649.31</b>	<b>92,457.60</b>	<b>36.59%</b>	
<b>Common Stock - Equities:</b>													
U.S. Equities	3,650,407.11	4,266,926.53	616,519.42	692,076.33	929,223.75	(85,893.83)	17,098.60		3,413,259.69	3,732,902.10	319,642.41	47.33%	
Foreign Equities	196,106.71	238,256.74	42,150.03	51,755.59	22,485.13	431.07			225,377.17	232,286.55	6,909.38	2.95%	
Equity ETFs	709,599.62	764,892.24	55,292.62		10,669.86	(578.79)	5,156.47		698,929.76	670,454.68	(28,475.08)	8.50%	
Mutual Funds - Equities	177,886.07	162,385.28	(15,500.79)	1,502.89			1,502.89		179,388.96	144,863.83	(34,525.13)	1.84%	
<b>Total Equities</b>	<b>4,733,999.51</b>	<b>5,432,460.79</b>	<b>698,461.28</b>	<b>745,334.81</b>	<b>962,378.74</b>	<b>(86,041.55)</b>	<b>23,757.96</b>		<b>4,516,955.58</b>	<b>4,780,507.16</b>	<b>263,551.58</b>	<b>60.61%</b>	
<b>Total Endowment Investments at American National Bank Trust</b>	<b>\$7,562,779.05</b>	<b>\$8,342,722.20</b>	<b>\$779,943.15</b>	<b>\$2,327,513.12</b>	<b>\$2,352,138.71</b>	<b>(\$112,475.63)</b>	<b>\$50,995.30</b>	<b>(\$6,973.06)</b>	<b>\$7,531,180.40</b>	<b>\$7,887,189.58</b>	<b>\$356,009.18</b>	<b>100.00%</b>	
Dec, Jan, and Feb activity							-3.63%	(68,453.39)		Market Value gain =	356,009.18	=	4.73%
							(Annualized)	7,546,979.73			7,531,180.40		

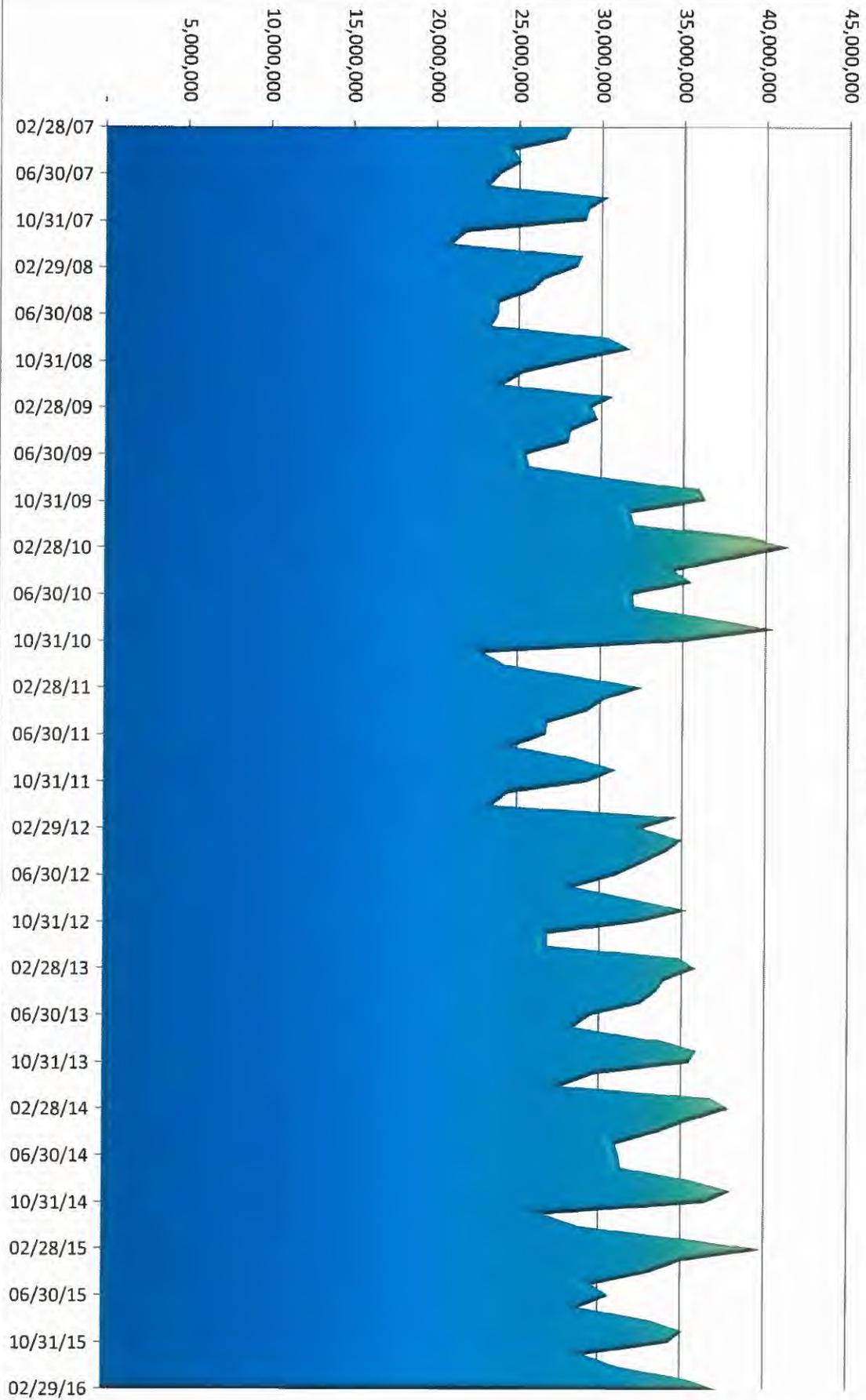
**MSU ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL  
FOR THE SECOND QUARTER ENDED FEBRUARY 29, 2016**

	<u>Book Value</u> <u>11-30-15</u>	<u>Market Value</u> <u>11-30-15</u>	<u>Unrealized Gain</u> <u>(Loss)</u>	<u>Purchases</u>	<u>Principal Payments Received/Matured</u>	<u>Realized Gain</u> <u>(Loss)</u>	<u>Interest/Dividends Received (Fees Paid) In the Qtr.</u>	<u>Amortization/Accretion of Prem./Disc.</u>	<u>Book Value</u> <u>02-29-16</u>	<u>Market Value</u> <u>02-29-16</u>	<u>Unrealized Gain</u> <u>(Loss)</u>	<u>Market Value Percentage</u> <u>Of Total</u>
<b>TEXAS A&amp;M INVESTMENT MGMT FEE</b>							(\$481.38)					
Long-term Investment Pools:												
Texas A&M System Endowment Pool	\$399,091.99	\$387,354.42	(\$11,737.57)	\$10,950.00	\$3,606.97	\$3,606.97	1,311.35		\$410,041.99	\$377,033.66	(\$33,008.33)	100.00%
Total Long-term Investments	399,091.99	387,354.42	(11,737.57)	10,950.00	3,606.97	3,606.97	829.97		410,041.99	377,033.66	(33,008.33)	100.00%
Total Endowment Assets at Texas A&M University System	\$399,091.99	\$387,354.42	(\$11,737.57)	\$10,950.00	\$3,606.97	\$3,606.97	\$829.97		\$410,041.99	\$377,033.66	(\$33,008.33)	100.00%
Dec, Jan, and Feb activity							4.39%	4,436.94		Market Value gain =	(33,008.33) =	-8.05%
Simple yield excluding mkt.value change: (Realized gain + Int.Div.Recvd. + Amort./Accr.) / (Average Book Value) =							(Annualized)	404,566.99				

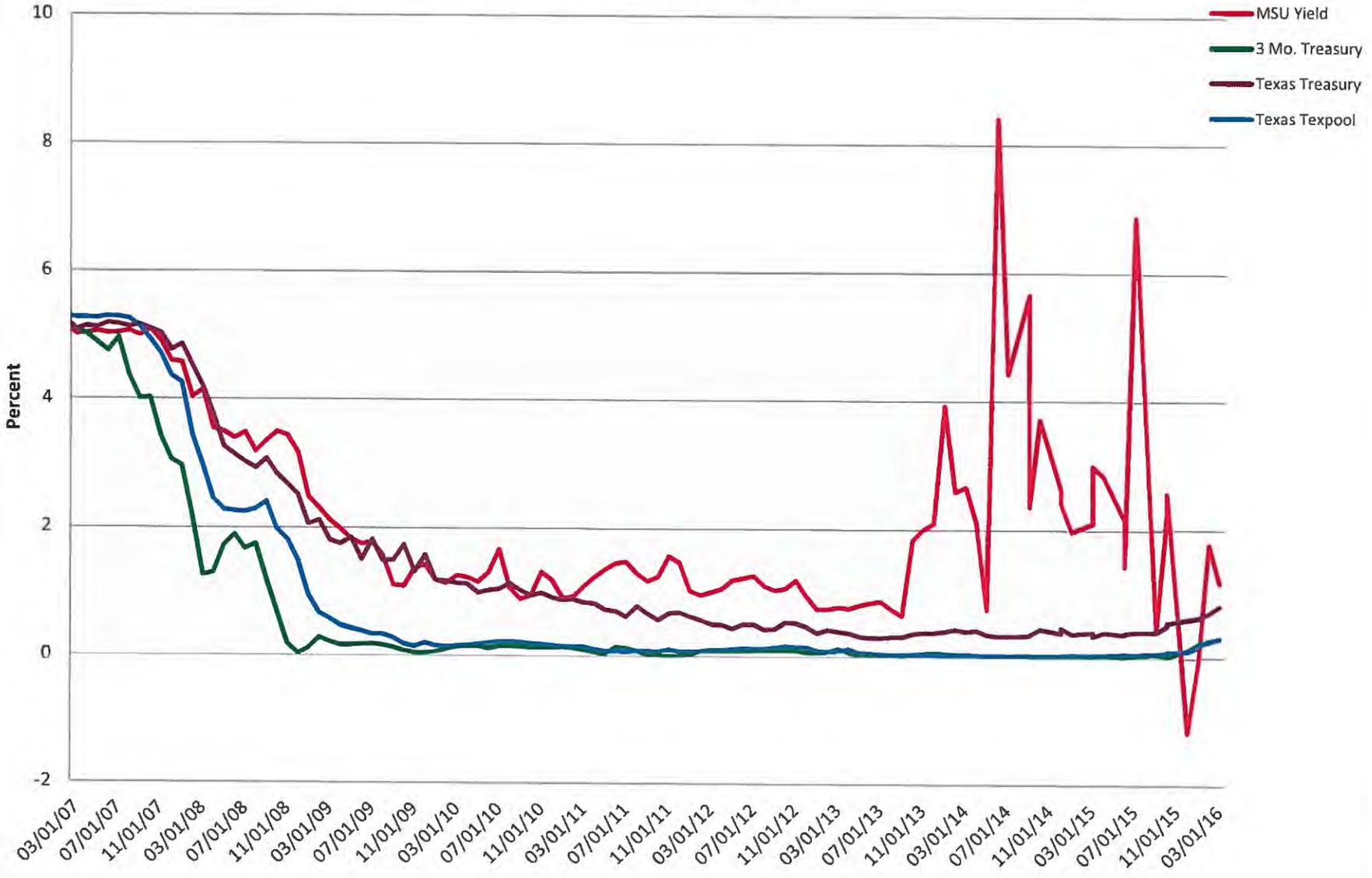
**REDWINE QUASI ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL  
FOR THE SECOND QUARTER ENDED FEBRUARY, 2016**

	<u>Book Value</u> <u>11-30-15</u>	<u>Market Value</u> <u>11-30-15</u>	<u>Unrealized Gain</u> <u>(Loss)</u>	<u>Purchases</u>	<u>Principal Payments Received/Matured</u>	<u>Realized Gain</u> <u>(Loss)</u>	<u>Interest/Dividends Received (Fees Paid) In the Qtr.</u>	<u>Amortization/Accretion of Prem./Disc.</u>	<u>Book Value</u> <u>02-29-16</u>	<u>Market Value</u> <u>02-29-16</u>	<u>Unrealized Gain</u> <u>(Loss)</u>	<u>Market Value Percentage</u> <u>Of Total</u>
<b>TEXAS A&amp;M INVESTMENT MGMT FEE</b>							(\$16,206.15)					
Long-term Investment Pools:												
U.S. Dollars												
Texas A&M System Endowment Pool	\$11,516,585.66	\$11,202,959.12	(\$313,626.54)		\$101,451.77	\$101,451.77	\$44,147.79		\$11,516,585.66	\$10,604,681.68	(\$911,903.98)	100.00%
Total Long-term Investments	11,516,585.66	11,202,959.12	(313,626.54)	0.00	101,451.77	101,451.77	27,941.64		11,516,585.66	10,604,681.68	(911,903.98)	100.00%
Total Endowment Assets at Texas A&M University System	\$11,516,585.66	\$11,202,959.12	(\$313,626.54)	\$0.00	\$101,451.77	\$101,451.77	\$27,941.64		\$11,516,585.66	\$10,604,681.68	(\$911,903.98)	100.00%
Dec, Jan, and Feb activity							4.49%	129,393.41		Market Value gain =	(911,903.98) =	-7.92%
Simple yield excluding mkt.value change: (Realized gain + Int.Div.Recvd. + Amort./Accr.) / (Average Book Value) =							(Annualized)	11,516,585.66				

**Midwestern State University  
Pooled Investments  
Total Invested**



# Midwestern State University Historical Yields



# Texas A&M University System Cash Concentration Pool



FISCAL YEAR 2016

2<sup>ND</sup> QUARTER – FEBRUARY 29, 2016

## Effective Rates for FY 2016 YTD:

Cash Portfolio:	0.25%
Long-Term Portfolio:	1.76%
Total Pool:	1.48%

## Capital Markets & Rates

The yield on 2-year Treasuries fell to 0.78% in February from 0.94% at the end of November. The yield on 10-year Treasuries declined to 1.74% from 2.21% at the end of November.

The S&P 500 Index returned -6.6% during the quarter and -6.2% for the one-year ending February 29, 2016.

The unemployment rate declined to 4.9% in February. The economy added 685,000 jobs during the three month period.

Economic data was positively revised, as the economy grew at a 1.4% annual rate during the quarter ending December 31, 2015. For the calendar year ending 2015, real GDP increased 2.4% in 2015.

## CCP Estimated Distribution Rate for FY 2016

Total Pool:	2.50%
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<http://www.tamus.edu/finance/treasury-services/>

## Pool Valuation

As of February 29, 2016, the Pool had a market value of approximately \$3.3 billion. For the 2<sup>nd</sup> quarter of FY 2016, the Pool positions had \$808.4 million in cash inflows and \$699.3 million in cash outflows, increasing the book value of the Pool by \$109.1 million. The Pool earned investment income during the quarter of \$13.5 million and realized net losses on investments of \$1.7 million.

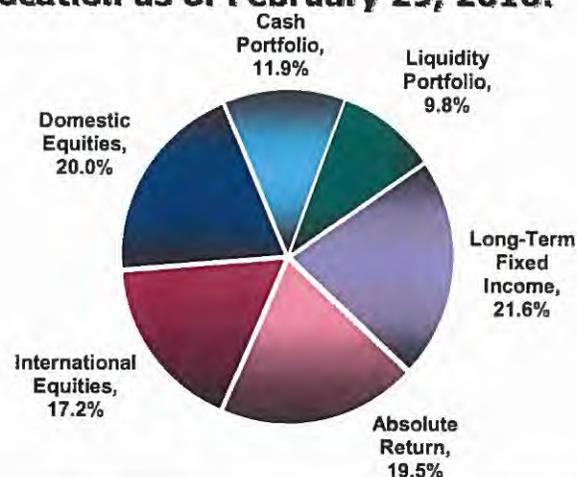
The Cash Portfolio distributes all interest, dividends, and realized gains/(losses), net of external management fees, to the participants based on their average short-term balance for each month. The Long-Term Pool distributes all interest, dividends, and realized gains/(losses), net of external management fees, to the participants based on their ownership of Long-Term Pool units for each month.

## Investment Allocation and Performance

As of February 29, 2016, the Cash Concentration Pool had a market value of approximately \$3.0 billion (excluding debt proceeds and pending transfers) with 11.9% of the Pool's assets invested in the Cash Portfolio and 88.1% of the assets invested in the Long-Term Portfolio. The Cash Portfolio and the Long-Term Portfolio are managed by external investment managers. The comparative returns for the Pool for the one, three, five, ten and fifteen-year periods ending February 29, 2016 are as follows:

	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>15-Year</u>
<b>Total Pool</b>	<b>-5.8%</b>	<b>2.8%</b>	<b>3.0%</b>	<b>3.9%</b>	<b>4.5%</b>
Balanced Index	-6.0%	2.5%	3.1%	3.7%	4.3%

## Asset Allocation as of February 29, 2016:



# Texas A&M University System System Endowment Fund



FISCAL YEAR 2016

2<sup>ND</sup> QUARTER – FEBRUARY 29, 2016

## Capital Market Update

As measured by the Russell 3000 Index, the US stock market returned -7.6% over the quarter and -7.8% for the one-year period. Large cap stocks outperformed small cap stocks by 6.3% for the quarter and 7.8% for the one-year period. Growth stocks outperformed value stocks by 0.2% during the quarter and 4.3% for the year.

Developed international equity markets returned -10.2% (in US Dollars) during the quarter and -15.2% for the one-year period. Emerging markets returned -8.7% (in US dollars) during the quarter and -23.4% for the one-year period. A significant portion of the negative international equity performance can be attributed to a strong US dollar relative to most major currencies.

Due to declining interest rates, fixed income markets generated positive returns during the quarter, appreciating +1.8%. For the one-year period, fixed income markets increased +1.5%.

Absolute return, on an aggregate basis, returned -4.2% and -5.7% for the quarter and one-year period respectively.

## Endowment Valuation

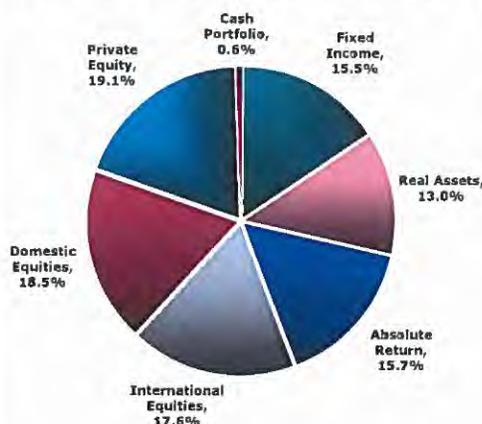
As of February 29, 2016, the SEF had a market value of approximately \$976.7 million, including new deposits and net the income distribution for the 2<sup>nd</sup> Quarter. The SEF is accounted for on a unitized basis and the per unit market value as of February 29, 2016 was \$5.76.

## Investment Allocation and Performance

As of February 29, 2016, the SEF asset allocation consisted of 36.1% equities, 15.7% absolute return, 15.5% fixed income, 13.0% real assets (timber, real estate and energy), 19.1% private equity and 0.6% cash. The comparative returns for the SEF for the one, three, five, ten and fifteen-year periods ending February 29, 2016 are as follows:

	1-Year	3-Year	5-Year	10-Year	15-Year
SEF - Total	-3.6%	5.8%	5.5%	4.9%	5.4%
Balanced Index	-4.4%	3.6%	3.4%	3.8%	4.6%

## Asset Allocation as of February 29, 2016



### Asset Allocation (\$M) Prior to Distribution and New Deposits

Domestic Equities	\$181.7
International Equities	\$172.1
Fixed Income	\$151.5
Absolute Return	\$153.5
Private Equity	\$184.5
Real Assets	\$128.1
Cash Portfolio	\$ 6.2

The units and market value summary is available online for each endowment account at the Treasury web page:

<http://www.tamus.edu/finance/treasury-services/system-endowment-fund/>

## Quarterly Endowment Spending Rate

**FY 2016:** \$0.070265 per unit

# National

## Job Gains Remain Strong, Inflation Improves

March 17, 2016

Economic data released in the past six weeks point to moderate U.S. economic growth in first quarter 2016. Improving job prospects, low debt burdens and low oil prices are sustaining private consumption, a major component of growth. On the other hand, a strong dollar, weak global outlook, manufacturing sector contraction and volatile financial markets remain headwinds in the near term.<sup>1</sup>

### Output Growth Revised Upward

U.S. real gross domestic product (GDP) expanded at a 1.0 percent pace in the fourth quarter (*Chart 1*). The second estimate of GDP growth marked an upward revision from the original estimate of 0.7 percent. The revisions were concentrated in inventories and net exports. Fixed investment was flat with residential fixed investment being offset by a decline in business fixed investment. Albeit revised downward, personal consumption was the main source of growth, contributing 1.4 percentage points.

Recent data from the Institute for Supply Management (ISM) suggest that the service sector slipped slightly in February due to worsening conditions in mining. Nevertheless, the services index is in expansionary territory. While the manufacturing sector index remained in contractionary territory, its recent improvements signal that manufacturing may be stabilizing despite the cutbacks in energy-related production and trade influences. Weak global demand and a strong dollar constitute downside risks to manufacturing and net exports going forward.

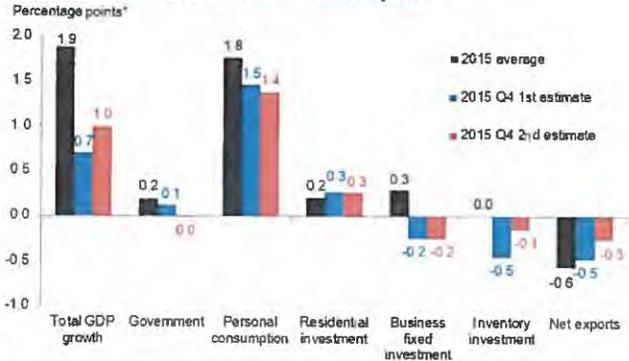
West Texas Intermediate oil prices remained below \$40 per barrel through the first half of March. Together with the January pickup in durable goods orders, a solid performance in consumer spending is expected to contribute to growth in the first quarter. However, the upward revision in inventory accumulation creates a downside risk to the outlook because inventory buildup will eventually wind down over the next few quarters, diminishing growth prospects.

### Labor Market Robust in First Quarter

Recent reports from the Bureau of Labor Statistics indicated a pickup in job growth in first quarter 2016. In 2015, nonfarm payroll growth averaged 229,000 per month. Nonfarm payrolls rose a robust 242,000 in February, and January's figure was revised upward by 20,000 to 172,000. The headline unemployment rate remains at 4.9 percent. The February Job Opening and Labor Turnover Survey also indicates strong labor momentum with the job opening rate remaining at its highest levels at 3.8 percent, and the quits rate reaching its prerecession rate at 2.1 percent.

The February labor force participation rate jumped 0.2 percentage points to 62.9 percent. The participation rate has continu-

**Chart 1**  
Fourth-Quarter Real GDP Growth Revised Upward



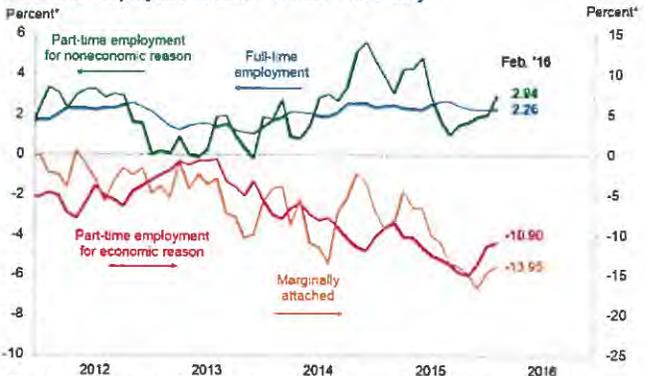
\*Contribution to percent change in real gross domestic product growth, quarter/quarter, seasonally adjusted annualized rate  
SOURCE: Bureau of Economic Analysis

**Chart 2**  
Prime-Age Worker Participation Ticks Up



\*Percentage point change in participation rate since January 2002  
NOTE: Shaded area indicates recession  
SOURCES: Bureau of Labor Statistics; National Bureau of Economic Research

**Chart 3**  
Part-Time Employment Growth Climbs in February



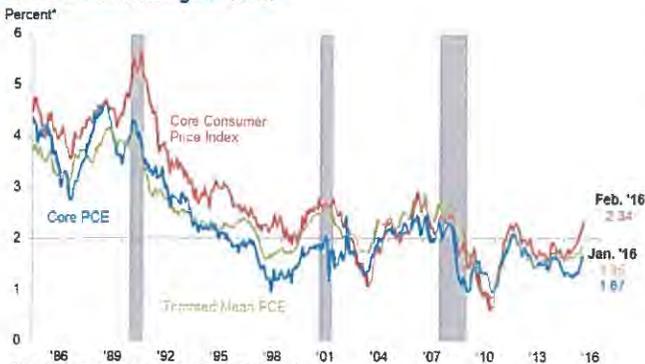
\*Year/year percent change of three-month moving average, seasonally adjusted  
NOTE: Marginally attached workers is not seasonally adjusted  
SOURCE: Bureau of Labor Statistics

**Chart 4**  
Wage Growth Slips in February



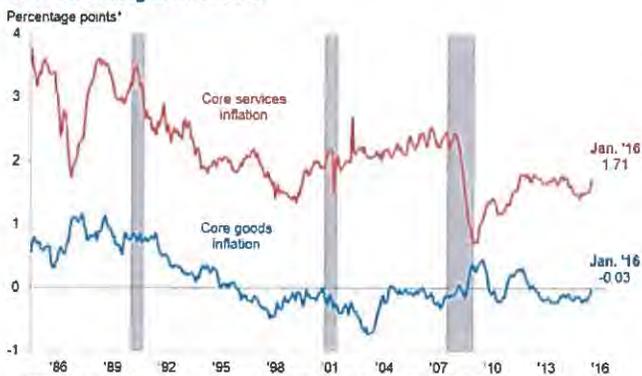
\*Year/year percent change, seasonally adjusted.  
NOTE: The Employment Cost Index controls for compositional shifts  
SOURCE: Bureau of Labor Statistics

**Chart 5**  
Core Inflation Nearing 2 Percent



\*Year/year percent change, seasonally adjusted.  
NOTES: The line at 2 percent represents the Federal Open Market Committee's target for Personal Expenditures Consumption (PCE) inflation. Shaded areas indicate recession  
SOURCES: Bureau of Economic Analysis, Bureau of Labor Statistics

**Chart 6**  
Services Driving Core Inflation



\*Year/year, seasonally adjusted percentage point contribution to core PCE inflation.  
NOTE: Shaded areas indicate recession  
SOURCES: Bureau of Economic Analysis, Federal Reserve Bank of Dallas; author's calculation.

ously ticked upward since September 2015. The participation rate for prime-age (25 to 54 years) workers edged up in February (*Chart 2*). Full-time employment growth has been flat since late 2014 while part-time job growth has picked up in recent months (*Chart 3*). Even after discounting the recent pickup in part-time workers as reflecting a stronger-than-usual pickup in temporary holiday hiring, the number of involuntary part-time workers is still high.

### Wage Growth Flat

The average hourly pay for private-sector workers and the Employment Cost Index are both well below the 3–4 percent rate consistent with the Federal Open Market Committee's (FOMC's) long-term inflation target, as indicated by Federal Reserve Chair Janet Yellen (*Chart 4*).<sup>2</sup> Average hourly earnings fell 0.1 percent in February after January's 0.5 percent increase.<sup>3</sup> The average work week shrunk by 0.2 hours in February to 34.4 hours, reflecting the recent rise in part-time workers. While hourly earnings growth has picked up across industry sectors, average weekly earnings growth looked less impressive with the shrinkage of the work week and rise in part-time workers. The slow wage growth may not exert upward pressure on inflation in the near term.

### Core Measures of Inflation Firming

In addition to the strong employment data, inflation readings have made good progress toward the FOMC's 2 percent objective. Core measures of inflation, which strip out the volatile effects of fuel and food costs, accelerated sharply in the past few months. In January, core and trimmed mean measures of the Personal Consumption Expenditures (PCE) price index over 12 months grew 1.7 percent and 1.9 percent, respectively, while in February, the core Consumer Price Index (CPI) grew 2.3 percent (*Chart 5*).

Chart 6 shows the contribution to core PCE inflation from core services and core goods inflation. Tighter rental markets and rising health care costs prompted the recent acceleration in core services inflation. A decline in Chinese producer prices, low energy prices, weak global demand and a strong dollar all pose downward pressure on core goods inflation. Though short-term inflation expectations have been weighed down by the plunging oil prices in recent months, long-term inflation expectations remain stable.

—Daniel Lin

### Notes

1. However, the trade-weighted exchange value of the U.S. dollar has been decreasing since late February against both broad and major currency indexes.
2. Given an inflation target of 2 percent and a typical productivity growth of 1 to 2 percent, this suggests that the economy is out of slack only when wage growth hits 3 to 4 percent.
3. The pickup in wage growth in January may have been partly due to the implementation of minimum wage increases in 14 states and some municipalities across the United States on Jan. 1, 2016.

### About the Author

Lin is a research analyst in the Research Department at the Federal Reserve Bank of Dallas.